AGENDA

COMMITTEE ON EDUCATIONAL POLICY

Meeting: **9:00 a.m., Wednesday, May 11, 2005**
Glenn S. Dumke Auditorium

Roberta Achtenberg, Chair
Jeffrey L. Bleich
Herbert L. Carter
Moctesuma Esparza
Debra S. Farar
Robert G. Foster
George G. Gowgani
Eric Guerra
William Hauck
Kathleen E. Kaiser
Melinda Guzman Moore
Kyriakos Tsakopoulos

Consent Items

Approval of Minutes of Meeting of March 15-16, 2005

1. Revision of Title 5 --- Bases of Prohibited Discrimination for Recognized Student Groups, *Action*

Discussion Items

2. California State University Student Borrowing, *Information*
3. Achieving the Baccalaureate Degree, *Action*
4. Just for the Kids and California State University: A Partnership. *Information*

MINUTES OF THE MEETING OF
COMMITTEE ON EDUCATIONAL POLICY

Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California

March 15-16, 2005

Members Present

Roberta Achtenberg, Chair
Shailesh J. Mehta, Vice Chair
Herbert L. Carter
Moctesuma Esparza
Debra S. Farar
Robert G. Foster
Murray L. Galinson, Chair of the Board
George Gowgani
Eric Guerra
William Hauck
Kathleen E. Kaiser
Melinda Guzman Moore
Charles B. Reed, Chancellor
Kyriakos Tsakopoulos

Chair Roberta S. Achtenberg called the meeting to order.

Approval of Minutes

The minutes of January 26, 2005 were approved by consent as submitted.

Review and Recommendation of Nominees for Honorary Degrees

The Trustees acted on nominations for honorary degrees in closed session.

Remedial Education Policy Implementation: Ninth Annual Report

Chair Achtenberg said that in January 1996, the Board adopted a policy designed to reduce the need for remediation in English and mathematics at the college level. Executive Vice Chancellor David S. Spence provided the Board with the ninth annual report on systemwide implementation activities, campus efforts to remediate students during their first year of enrollment, and campus plans for reducing the proportions of regularly-admitted freshmen needing a second year of remediation. He also provided an update on the Early Assessment Program and explained how the program intersects with remedial education policies.

Chair Achtenberg asked about the Early Assessment Program—specifically, what kind of test data would be presented to the Board and when it would be presented. Dr. Spence said that preliminary test results would be presented to the trustees in late fall.

Board Chair Galinson said that a number of inner-city superintendents told him they hadn't received test results in time to help their high school seniors get more prepared for college. Chancellor Reed said that Los Angeles Unified School District, the largest school district in California, had given the test late and that it was decided to postpone providing test results until all districts' results were in. Dr. Spence said that this year the schools would be given the test results no later than August 15.

Jack O'Connell, State Superintendent of Public Instruction, described the Early Assessment Program as one of the two most significant high school education reform measures of the last five decades. He said that the program is *the* model of seamless education and that he had no doubt that it would be a model program for the rest of the country.

Trustee Kaiser praised Dr. Reed and Dr. Spence for their work on the Early Assessment Program. She asked whether it was reasonable to expect that CSU would reach 90% remediation in 2007. Dr. Spence replied that if 90% remediation was not accomplished in 2007, he was certain it would be in 2008.

Chancellor Reed stated that K-12 education in California has the highest standards in the nation. He said that there are 9,000 elementary, middle, and high schools in the state and that each one needs an educational leader who understands data, curricula, how students need to learn, and how to motivate and help teachers. He said that CSU is uniquely qualified to prepare these leaders, including by awarding the education doctorate.

Facilitating Graduation

Chair Achtenberg said that in March 2003, the Board endorsed the report of the Task Force on Facilitating Graduation, directed the chancellor to encourage the campus presidents and faculty to pursue actively the recommendations of the report, and requested periodic reports on campus progress in meeting these goals. Executive Vice Chancellor Spence said that in the weeks following his January report to the board, Chancellor's Office staff had undertaken further useful conversations with statewide faculty, student leaders, and selected campus presidents and provosts. He shared with the Board a set of proposed guidelines for campuses, recommended by the CSU Academic Senate and detailed by the Chancellor's Office, in adapting or developing campus policies designed to facilitate graduation. He said that Chancellor's Office leadership would be working with the Academic Senate, campus presidents, and campus provosts to hammer out a final set of recommendations for board consideration at the May meeting.

Trustee Holdsworth said it would be useful to know exactly who, at each step, is accountable for making sure the recommended actions are taken. He suggested that such information be included in the final set of recommendations.

David McNeil, chair of the Academic Senate CSU, said the senate has been and intends to be a full partner in establishing guidelines for facilitating graduation.

CSU Los Angeles President James Rosser said that the proposed guidelines provide a systemwide framework for facilitating graduation and suggested that the Education Policy Committee adopt them as a template for the campuses to work from. Chair Achtenberg asked Dr. Spence to make that recommendation at the May board meeting.

Teacher Preparation Program Evaluation

Executive Vice Chancellor Spence reported the findings of the CSU Systemwide Evaluation of Teacher Preparation from 2001 through 2004. He then introduced Chris Steinhauser, superintendent of Long Beach Unified School District, the third largest school district in California. Mr. Steinhauser said that since 1999, he has hired as teachers approximately 1,000 graduates of CSU Long Beach. He said that much of the district's success could be attributed to these teachers and to the district's working partnership with President Maxson.

Board Chair Galinson asked whether future studies would look at teachers who had been working in the field for more than one year. Bill Wilson, Assistant Vice Chancellor, Teacher Education Evaluation and Assurance, said that next year's report would include data on teachers who had graduated three years earlier. Mr. Wilson said that he and his staff were also examining why teachers stay or leave, primarily in urban schools. He said that findings show that teacher preparation is not a factor.

In response to questions raised by Trustees Carter, Guzman-Moore, and Esparza, Dr. Spence said that teacher preparation programs would be surveyed to see to what extent they are adequately preparing teachers to work in urban schools and effectively teach students who come from immigrant homes, homes where English isn't spoken, and homes in which there are no books. He said he would try to present that information to the Board at the May meeting.

In response to a concern expressed by Trustee Kaiser, Dr. Spence said that teacher preparation in special education would be among the next two or three systemwide priorities to receive more emphasis.

Trustee Hauck asked why, if teacher preparation in the CSU is as good as the report states, is there the need to remediate such a high percentage of students who enter CSU. Dr. Spence replied that there are two explanations. First, some items in the standards are being "undertaught." He said it was anticipated that the Early Assessment Program would address this problem. Second, is the issue of performance expectations: You can put a standard down on paper and tell teachers they need to emphasize it in their classes, but in the end test results reflect not only what students know, but how well they know it and whether they are capable of articulating that knowledge.

Trustees Guzman-Moore and Adamson asked whether the study helped to identify areas in which teacher preparation programs might be improved. Dr. Spence replied that his report only summarized the study and that the CSU has an office and staff members devoted expressly to this research.

Board Chair Galinson referred to San Diego State's impressive work with the San Diego Unified School District where, in the incoming kindergarten class, 37 languages are spoken and close to 100% of students are on the free lunch program. He said that several campuses have undertaken similarly interesting and important work with local school districts and that it would be useful for the Board to learn more about these efforts.

Chancellor Reed talked about the partnership CSU has formed with Just For The Kids, an affiliate of the National Center for Educational Accountability that uses information obtained from state departments of education to let educators and parents see how their schools are performing compared to other schools in their states, and to learn what the highest-performing schools are doing to raise test scores. Trustee Achtenberg suggested that there be a presentation to the Board about Just For The Kids, preferably at the May trustees meeting.

CSU Monterey Bay President Peter Smith said that he hoped the Board would pay more attention to the gap between those 9th graders and 12th graders who have completed their required A-G courses and those who haven't.

Academic Senate CSU Chair McNeil conveyed the senate's interest in the issue of teacher preparation and referred to the work being done by the senate Committee on Teacher Education & K-12 Relations.

Chancellor Reed said that for the past seven years, teacher preparation has been the top priority for CSU. He said that all teacher preparation programs have been reengineered to include partnerships with school districts and that the production of teachers has increased 37%, to almost 12,000 teachers each year. He said he was especially pleased that slightly more than half of those new teachers are teachers of color—a particularly important accomplishment, he said, given that 70% of K-12 students are racial and ethnic minorities.

Academic Planning and Program Review

Chair Achtenberg said that in 1963, the Board set policy regarding academic planning and program review in the CSU. Executive Vice Chancellor Spence presented the annual proposal to approve updated academic plans and provide planning authority for projected new programs. He also commented on program review and assessment, including required units to degree.

Chair Achtenberg asked why Long Beach, Northridge and San Jose have such a large number of academic programs with more than 120 units. CSU Northridge President Jolene Koester, CSU Long Beach President Robert Maxson, and San Jose State University President Don Kassing said that accreditation requirements accounted for the higher units at their campuses.

Trustee Kaiser asked whether there was a trustee policy about accreditation, and if there was a way to provide resources to departments that seek it. Jolayne Service, State University Dean, Academic Program Planning, said that the Board has a longstanding policy of encouraging programs to seek specialized accreditation if it's available. Dr. Spence said that the policy of the Chancellor's Office is that programs must pursue accreditation if it's available and crucial to the quality of a program. He said that he and Dean Service would begin identifying those programs that are not yet accredited. He said there is a gray area in terms of the resource issue.

Trustee Guerra asked if there were sufficient resources to offer the classes for the new programs. Dr. Spence said that it is useful to examine that issue when new programs are proposed.

The resolution was adopted (REP 03-05-02).

Proposed Title 5 Amendments to Expand Bases of Prohibited Discrimination for Recognized Student Groups

Executive Vice Chancellor Spence and Christine Helwick, Esq., General Counsel, talked about proposed amendments to Title 5 to expand the basis of prohibited discrimination for recognized student groups, consistent with the law and other statements of university policy. The item will return to the Board for action at the May meeting. Trustee Kaiser praised the proposed amendments as one of the finest examples of Chancellor's Office staff responding to an important issue raised by the Board.

Highlighting the Role of the California State University and the Hispanic Association of Colleges and Universities

Chair Achtenberg said that the Hispanic Association of Colleges and Universities (HACU), established in 1986, today represents more than 400 colleges and universities committed to Hispanic higher education success in the United States, Puerto Rico, Latin America and

Spain. She said that California is home to one-third of all Latinos in the nation and that CSU, in turn, is the single largest institution serving and meeting the higher education needs of this ethnic population. Chancellor Reed said that CSU approached HACU leadership and asked them to open a branch office in California. Dr. Alexander Gonzalez, president of CSU Sacramento and chairman of the HACU Board of Directors, then made a presentation on the critical role CSU plays in this important organization.

Trustee Guzman-Moore commended CSU for doing an exceptional job in serving Latino students.

Trustee Guerra asked the presidents to encourage their students to participate in HACU's national conferences and internship programs. He said that HACU can provide students with invaluable opportunities to develop strong leadership skills.

Chair Achtenberg adjourned the meeting.

COMMITTEE ON EDUCATIONAL POLICY

Revision of Title 5 --- Bases of Prohibited Discrimination for Recognized Student Groups

Presentation By

David Spence
Executive Vice Chancellor and
Chief Academic Officer

Christine Helwick
General Counsel

Summary

This item proposes amendments to Title 5 to expand the bases of prohibited discrimination for recognized student groups, consistent with the law and other statements of university policy.

Background

Title 5 of the California Code of Regulations currently prohibits all recognized student groups from restricting membership on the basis of race, religion, or national origin. It does not include other grounds of impermissible discrimination established in the law and university policy – i.e., ethnicity, color, age, gender, marital status, citizenship, sexual orientation, and disability – nor extend to other policies beyond membership. The following amendments to Title 5 are therefore recommended for action, which make those adjustments in the Trustees' regulations (new language in *italics*; old language in ~~strikethrough~~):

Article 4. Nondiscrimination in Student Organizations

§ 41500 Withholding of Recognition

No campus shall recognize any fraternity, sorority, living group, honor society, or other student organization which ~~restricts membership~~ *discriminates* on the basis of race, religion, ~~or~~ national origin, *ethnicity, color, age, gender, marital status, citizenship, sexual orientation, or disability.* ~~, or which otherwise has a membership policy requiring discrimination based on race, religion or national origin.~~ *The prohibition on membership policies that discriminate on the basis of gender does not apply to social fraternities or sororities or to other university living groups.*

§ 41501 Definition of Recognition

Recognition as used in this article shall include, but not be limited to, the granting by a campus of any benefit, resource, or privilege whatsoever, or allowing the use of campus facilities to any such student organization described in Section 41500 of this article.

§ 41502 Time Limitation for Conforming [Repealed in 1977]

§ 41503 Filing Requisites

Each student organization shall deposit with the ~~Dean of Students~~ *Vice President of Student Affairs* or equivalent officer of the campus ~~by January 1, 1960~~, copies of all constitutions, charters or other documents relating to ~~their~~ *its* policies ~~with reference to basis for choice of membership~~. ~~By the same date, t~~ *T*he student organizations shall ~~in like manner~~ *also* deliver to ~~said dean~~ *the Vice President of Student Affairs* or equivalent officer a statement signed by the president or similar officer of the local student organization ~~to the effect~~ *attesting* that ~~there are~~ *the organization has* no rules or policies which ~~inhibit members from accepting students without discrimination on account of~~ *discriminate on the basis of* race, religion, ~~or~~ national origin, *ethnicity, color, age, gender, marital status, citizenship, sexual orientation, or disability, except as excepted above* ~~in the selection of new members~~. ~~Such~~ *This* statement shall be renewed annually and the other documents required by this section shall be re-filed within 90 days after any substantive change or amendment.

§ 41504 Penalties

Should the national governing body of any organization described in Section 41500 take any action which has the effect of penalizing or disciplining any branch or chapter at a campus in order to enforce a ~~membership~~ policy of discrimination based on race, religion, ~~*or*~~ national origin, *ethnicity, color, age, gender, marital status, citizenship, sexual orientation, or disability, except as excepted above,* recognition of ~~said~~ *that* organization by any campus shall be immediately withdrawn.

§ 41505 Athletics and Other Intercollegiate Activities

No campus shall enter into intercollegiate activities which will subject its students directly or indirectly to discrimination or segregation on the basis of race, ~~national origin, or~~ religion, *national origin, ethnicity, color, age, gender, marital status, citizenship, sexual orientation, or disability. The prohibition against discrimination on the basis of gender does not apply to membership on intercollegiate athletic teams, facilities, or competition.*

The following resolution is recommended for adoption:

RESOLVED, by the Board of Trustees of the California State University, acting under the authority described and pursuant to Education Code Section 89030.1, amends Section 41500 – 41505 of Article 4, Subchapter 4, Chapter 1, Division 5 of Title 5 of the California Code of Regulations as set forth in agenda item 1 of the May 11, 2005 meeting of the Committee on Educational Policy, which is incorporated herein. And be it further

RESOLVED, by the Board of Trustees that the adoption of the proposed revision to Title 5 will not impose a cost or savings on any state agency, will not impose a cost or savings on any local agency or school district that is required to be reimbursed under Government Code Section 17561, will not result in any nondiscretionary cost of savings in federal funding to the state, and will not impose a mandate on local agencies or school districts. And be it further

RESOLVED, by the Board of Trustees that the Chancellor of the California State University is delegated authority to further adopt, amend or repeal this revision, if necessary, and insubstantial or grammatical in nature, or sufficiently related to the original text that the public was adequately placed on notice that the change could result from the originally proposed regulatory action.

COMMITTEE ON EDUCATIONAL POLICY

California State University Student Borrowing

Presentation by

Allison G. Jones
Assistant Vice Chancellor
Academic Affairs, Student Academic Support

Summary

Concerns about increased student fees, affordability, and accountability issues have prompted interest in the means by which students finance their postsecondary education. This agenda item, provided in response to Trustee interest and request, provides information about student financial aid and, more specifically, about student borrowing.

Overview of Student Financial Aid Programs

Student financial aid programs assist students with paying their postsecondary educational expenses. There are two categories of financial aid, need-based aid and non need-based aid, also referred to as merit-based aid. Merit-based aid is typically awarded on the basis of academic achievement or ability or other special talents and skills. Need-based aid is predicated on the student demonstrating a financial need according to Congressional need analysis standards. These students lack the financial resources necessary to pursue a postsecondary education.

There are three types of financial aid programs. Grants, along with scholarships and fellowships, do not have to be repaid and are also referred to as gift aid. The other two types of aid programs, loans and work, are referred to as self-help aid since they require, respectively, that the student repay the amount from future earnings or earn the funding through a subsidized employment program while pursuing an education.

Student financial aid programs at CSU are authorized and funded by the U.S. Congress, by the California Legislature and Governor, campuses, and various private entities such as philanthropic organizations and foundations, civic clubs and community groups, and commercial lending institutions.

Determination of Financial Need

Financial need is the difference between the Cost of Attendance (COA) at a CSU campus and the amount of the student's Expected Family Contribution (EFC). The process of determining the extent to which a student and his or her family are able to contribute toward postsecondary educational expenses is referred to as need analysis. The parameters and formulas in the need analysis for all federal student aid funding are approved by the U.S. Congress and referred to as the federal methodology. Some institutions, particularly private institutions, use an alternative methodology in awarding their institutional financial aid funds. Need analysis is based upon the following principles:

- To the extent they are able, parents have the primary responsibility to pay for the education of their dependent children;

- Students also have a responsibility to help pay for their educational costs;

- Families should be evaluated in their present financial condition; and

- A family's ability to pay for educational costs must be evaluated in an equitable and consistent manner, while recognizing that special circumstances can and do alter a family's ability to pay.

Applicants for federal student aid must annually complete a Free Applications for Federal Student Aid (FAFSA). The State of California utilizes the FAFSA to determine eligibility for Cal Grants, and CSU uses the FAFSA to determine eligibility for State University Grants and other need-based aid programs administered at the campus level. The FAFSA collects basic information about the aid applicant's educational plans and characteristics that determine whether the applicant is independent (i.e., self-supporting) or dependent on his or her parents for purposes of determining the family contribution. Applicants are considered independent if they are over the age of 24 years, are veterans, orphans or wards of the court, graduate students, or are either married or have their own dependents other than a spouse. If the applicant is considered dependent, income and asset data for the parents as well as for the applicant are required on the FAFSA to determine the family contribution.

The cost of attendance is the second component used to determine financial need. Recognition of student charges is not limited for financial aid purposes to the amount of mandatory tuition and fees that the student pays. Federal Title IV financial aid program regulations require institutions to develop cost of attendance allowances that include mandatory tuition and fees as well as allowances for books and supplies, food and housing, transportation, and personal expenses. Where appropriate, additional allowances are included for child and dependent care as well as supplies and equipment for disabled students. Additional allowances may also be incorporated for costs associated with high cost programs that involve additional fees, including study abroad programs.

Institutions develop these allowances, also referred to as standard student budgets, differentiating among students living at home with their parents, students living in campus residence facilities, and students living off-campus, typically in a shared apartment. CSU campuses and most other California institutions utilize data from the Student Expenses and Resources Survey (SEARS) that is administered by the Student Aid Commission every three years to survey the expenditures and resources of students enrolled at postsecondary institutions in the state. The survey data on expenditures are used by the Commission to develop statewide cost of attendance allowances for use in determining student eligibility for Cal Grant awards. These data, along with institutional studies of living expenses in the local area and other data, assist campus financial aid administrators to establish reasonable and moderate cost of attendance allowances that are used to determine student financial need.

"Packaging" of Financial Aid Awards

Once a student's financial need is determined, the college attempts to provide a "package" of financial aid to meet that need. This package takes into consideration the student's eligibility for a Federal Pell Grant and a state Cal Grant before the college adds additional grants, work-study employment, and student loans.

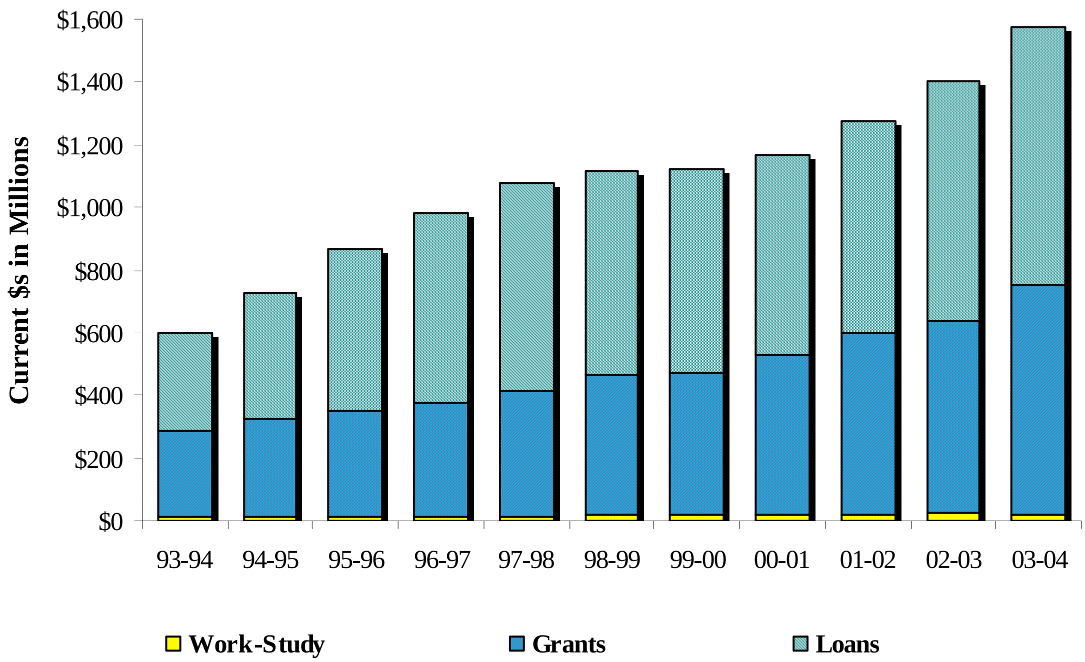
Financial aid offices at CSU campuses attempt to use all available financial aid program funding in an effort to meet as much of the student financial need as possible. Each campus establishes its own "packaging" approach within the constraints of award limits that apply to individual aid programs, the funding priorities for the various aid programs, and, where applicable, the allocation of funds available for the program. One of the overriding considerations in the packaging process is to ensure that it provides for the fair and equitable treatment of all potentially eligible aid applicants and ensures that students in like circumstances are treated in essentially the same manner.

Student Financial Aid at the CSU

During 2003-04, over 211,000 students enrolled at the CSU received in excess of $1.5 billion in student financial aid funds. Attachment A reflects the number of aid recipients and amount of aid received by individual program as well as by the source and type of aid.

Figure 1 reflects the significant growth in student financial aid received on the part of CSU students over the last decade. As seen in the chart, need-based, Work-Study programs constitute a very small portion of total aid. CSU students do, however, have significant term-time earnings from other employment that are used to meet the expected family contribution and to supplement available financial aid awards in meeting college costs. Many students opt to limit, or forego, borrowing under student loan programs by working part-time while pursuing their degrees. The latest data available on the employment and work hours of CSU students indicate that between seven and eight of ten CSU students work while attending school and that between three and four of ten CSU students work full-time.

Figure 1. Growth in Student Aid to CSU Students



The 10-year change in student financial aid at the CSU, in current dollars, was 163 percent compared to an estimated increase nationally of 168 percent as compiled and reported by the College Board in the 2004 edition of *Trends in Student Aid*[1]. Table 1 depicts the CSU changes, by aid type, and total dollars compared to the national data compiled by the College Board in both current dollars and constant 2003 dollars.

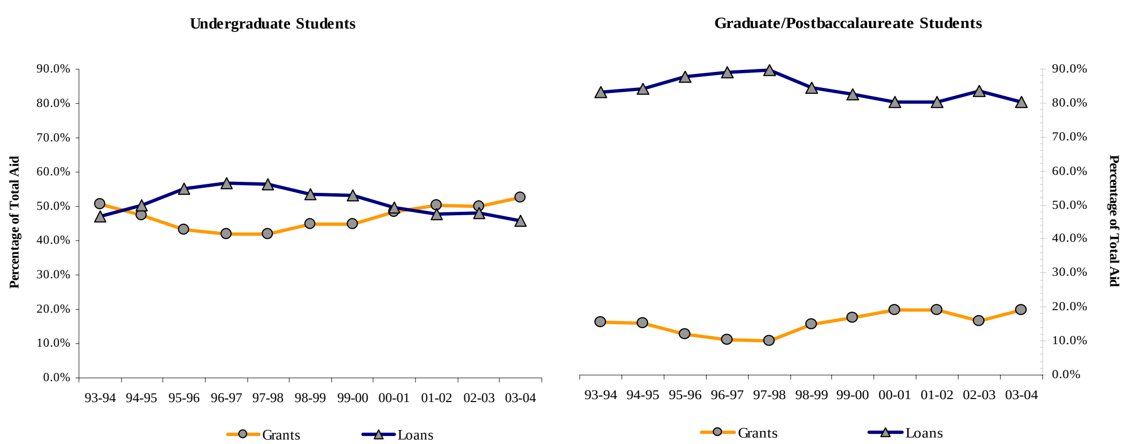
[1] *Trends in Student Aid 2004*. College Board, 2004.

Table 1. 10-Year Trends – CSU vs. National Estimates

	Current Dollars in Millions			Constant 2003-04 Dollars in Millions		
	1993-94	2003-04	Pct. Change	1993-94	2003-04	Pct. Change
CSU						
Work-Study	$12	$21	75.0%	$15	$21	40.0%
Grants	$277	$732	164.3%	$353	$732	107.4%
Loans	$310	$821	164.8%	$395	$821	107.8%
Total	$599	$1,574	162.8%	$763	$1,574	106.3%
National						
Work-Study	$771	$1,218	58.0%	$981	$1,218	24.2%
Grants	$19,786	$46,454	134.8%	$25,182	$46,454	84.5%
Loans	$22,557	$68,065	201.7%	$28,708	$68,065	137.1%
Total	$43,114	$115,737	168.4%	$54,871	$115,737	110.9%

The CSU's maintenance of comparatively low student fees throughout most of the last decade contributed to the overall rate of increase in total aid that is somewhat lower than the national rate of increase. Programmatic changes and increased funding for the state's Cal Grant programs and the CSU's continuing support for the State University Grant program were instrumental in the higher rate of increase in grant funding and in maintaining a balance between grant and loan funding as indicated in Figure 2 below.

Figure 2. Grants vs. Loans, Growth and Percent Share of Total Aid, 1993-94 to 2003-04



Nationally, according to the *Trends* data (with the exclusion of educational tax benefits), during 2003-04, grants represented 47 percent of total aid and loans 52 percent of aid at the undergraduate level. At the graduate level, grants represented 23 percent of total aid and loans 77 percent of total aid. The corresponding 2003-04 data for the CSU reflect grants at 53 percent and loans at 46 percent at the undergraduate level, the reverse of the national trend, and grants at 19 percent and loans at 80 percent at the graduate and level, which is comparable to the national data.

Student Loan Programs

During 2003-04, borrowing on behalf of over 136,000 CSU students was at a level of approximately $821 million, an average of $6,015 borrowed per student. The following describes the various student loan programs through which CSU and other students obtain loans.

Federal Perkins Student Loans

Federal Perkins Loan is awarded to undergraduate and graduate students on the basis of financial need as determined by the campus through the financial aid application process. It has a fixed rate of 5 percent and an annual loan limit of $4,000 for undergraduates and $6,000 for graduate students. Undergraduates may borrow a cumulative total of $20,000 and graduates a total of $40,000 (including undergraduate totals). There is a nine-month grace period after the borrower ceases to be enrolled and no interest accrues while borrowers are in grace or deferment periods. The program provides generous cancellation or loan forgiveness provisions for borrowers who choose to pursue eligible public-service professional careers, such as teaching, nursing, child or family service, volunteer services in the Peace Corps, or employment as a law enforcement or corrections officer.

The Federal Perkins Student Loan program is the federal program of longest standing, originating as the National Defense Student Loan (NDSL) program with the National Defense Education Act of 1958. The Perkins Loan Program is one of three (3) federal campus-based programs whereby annual appropriations of federal funds are allocated directly to eligible, participating postsecondary education institutions. Institutions are required to provide a capital contribution, currently thirty percent, to match new federal capital. Based on prior participation in the program, campuses have a Federal Perkins Loan “revolving fund” that includes collections from prior lending. There have been limited new federal capital contributions for the Federal Perkins Loan program in recent years and, for 2005-06, the federal budget provides no new federal capital for the program.

Most CSU campuses have long-standing participation in the Federal Perkins Loan program and healthy revolving funds that permit annual lending of approximately $17 million systemwide. Institutions that participate in the program are responsible for the billing and collection of outstanding loan balance. CSU campuses utilize contracted billing services and collection agencies to supplement campus efforts in the collection of Federal Perkins Loans.

Federal Family Education Loan (FFEL) Program and William D. Ford Federal Direct Loan Program

Postsecondary educational institutions that participate in Federal Title IV programs may participate in the Federal Family Education Loan (FFEL) Program, the William D. Ford Federal Direct Loan Program, or both. The primary difference between the programs is that in FFEL programs, the funding for loans is provided by participating lenders while in the Direct programs funding is provided by the federal government. Table 2 reflects annual and cumulative limits on the amounts that students may borrow from the FFEL and Direct loan programs.

Table 2. Borrowing Limits in the FFEL and Direct Stafford Loan Programs

<table>
<tr><th></th><th>Dependent Undergraduate Students</th><th>Independent Undergraduate Students</th><th>Graduate/Professional Students</th></tr>
<tr><td>1st Year</td><td>$2,625</td><td>$6,625–No more than $2,625 of this amount may be in Subsidized Loans</td><td rowspan="3">$18,500–No more than $8,500 of this amount may be in Subsidized Loans</td></tr>
<tr><td>2nd Year</td><td>$3,500</td><td>$7,500–No more than $3,500 of this amount may be in Subsidized Loans</td></tr>
<tr><td>3rd and 4th Years (each year)</td><td>$5,500</td><td>$10,500–No more than $5,500 of this amount may be in Subsidized Loans</td></tr>
<tr><td>Maximum Total Borrowing from Stafford Loan Programs</td><td>$23,000</td><td>$46,000–No more than $23,000 of this amount may be in Subzidized Loans</td><td>$138,500—No more than $65,500 of this amount may be in Subsidized Loans

The graduate borrowing limit includes Stafford Loans received for undergraduate study</td></tr>
</table>

Stafford Loans, both Subsidized and Unsubsidized, are subject to loan fees of up to 4 percent that are withheld from the loan proceeds. Lenders or guaranty agencies may waive all or a portion of these fees.

Stafford Subsidized Student Loans

The Federal Stafford Subsidized Loan is available to undergraduate and graduate students who demonstrate financial need. Annual borrowing by students is limited by the amount of need when all other aid is considered or by the annual limits based on the student's year in college. Loans are made by participating lending institutions such as banks and credit unions under the FFEL Program and by the federal government under the Direct Loan Program. The interest rate is variable and adjusted annually. The maximum interest rate cannot exceed 8.25 percent and is currently (as of July 1, 2004) at 3.37 percent for loans in repayment. The interest on Subsidized loans is paid by the federal government while borrowers are enrolled on at least a half-time basis and during grace or deferment periods. After leaving school, borrowers have a 6-month grace period before repayment begins.

Stafford Unsubsidized Student Loans

The Federal Stafford Unsubsidized Loan is not based on financial need. It is available to undergraduate and graduate students through participating lending institutions under the FFEL Program and by the federal government under the Direct Loan Program. The interest rate is variable, adjusted annually, and is a maximum of 8.25 percent. For loans in repayment, the current interest rate, effective July 1, 2004, is 3.37 percent. Interest on unsubsidized loans is assessed of the borrower beginning when the loan proceeds are disbursed. Borrowers may elect to have the interest capitalized, i.e., added to the principal, and available data indicate that most borrowers elect this option. The in-school interest rate is currently at 2.77 percent. Loan and capitalized interest payments begin six months after the borrower leaves school.

Note: Although unsubsidized loans are not awarded based on financial need, many financially needy students may take out these loans in *addition* to borrowing through the subsidized program due to the growing gap between available resources, need-based financial aid awards, and the cost of education.

Parent Loans for Undergraduate Students

The Federal PLUS Loan (Parent Loan for Undergraduate Students) helps parent borrowers pay for college expenses for dependent students. Parents can borrow up to the cost of education less any financial aid received by the student. Parent borrowers are generally required to pass a credit check. Loans are made by participating lending institutions under the FFEL Program and by the federal government under the Direct Loan Program. The interest rate is variable and adjusted annually, but has a maximum of 9 percent. The current rate (for loans in repayment between July 1, 2004 and June 30, 2005) is 4.17 percent. There is no grace period for parents on this loan and repayment of principal and interest generally begins 60 days after the entire loan has been disbursed. Parent borrowers are assessed loan origination fees of up to 4 percent.

Consolidation Loans

Consolidation loans are made by the federal government and traditional lending institutions as well as consolidation companies. These loans allow borrowers to combine multiple federal loans from a variety of sources into one, consolidated loan with a longer repayment period and a more manageable monthly payment. Borrowers may qualify for consolidation loans while in grace periods or while already in repayment. Direct Loan borrowers may also consolidate while they are still enrolled. Defaulted borrowers may also obtain consolidation loans in order to reenter repayment. A fixed interest rate is established based on the weighted average of the interest rates on the loans being consolidated and rounded to the nearest 1/8 of one percent. There is also a cap of 8.25 percent on consolidation loans. Loan repayment periods can run up to a maximum of 30 years, and married borrowers may consolidate their individual loans under a single, consolidated loan. (Additional information is included in the section on student loan repayment options.)

Nursing Student Loans

A limited number of loans are available from CSU campuses that continue participation in this program providing loans to financially needy undergraduate or graduate students enrolled in eligible nursing programs. Annual loan amounts are limited to $3,500 and the loans have a fixed interest rate of 5 percent. Loans are made through campus revolving funds that include federal and institutional capital contributions.

Institutional Loans

Several CSU campuses have institutional long-term educational loan programs. These programs are very limited in terms of available funding with 2003-04 systemwide lending limited to 298 loan recipients and approximately $519,000 in loans. Funding for these programs has been made available from non-General Fund support.

Alternative Loans

Eligible students enrolled at CSU campuses may also obtain "alternative" student loans made available by banks, lending agencies, or credit unions. These loans generally have variable rates, are credit-based and have terms up to 30 years. Amounts vary, but lenders will commonly allow borrowing up to the total cost of attendance less financial aid and other resources. Borrowers primarily use private loans to supplement federal student loans in the financing of their education or to consolidate their education debt. Loan terms are typically fixed over a period of time, from five to 30 years, with provisions for deferring payments or making interest-only payments during in-school periods.

Rates on private loans are typically variable and indexed to the U.S. Treasury Bill, Prime Rate or other benchmark rates. In many instances, borrowers pay the holder an origination and/or a guarantee fee. This fee is usually included in the overall loan amount at the time of origination. Interest rates on alternative loans are typically higher than federal student loan programs and these loans cannot be included under the federal consolidation loan program.

During 2003-04 over 2,200 CSU students borrowed approximately $15.4 million from alternative loan programs.

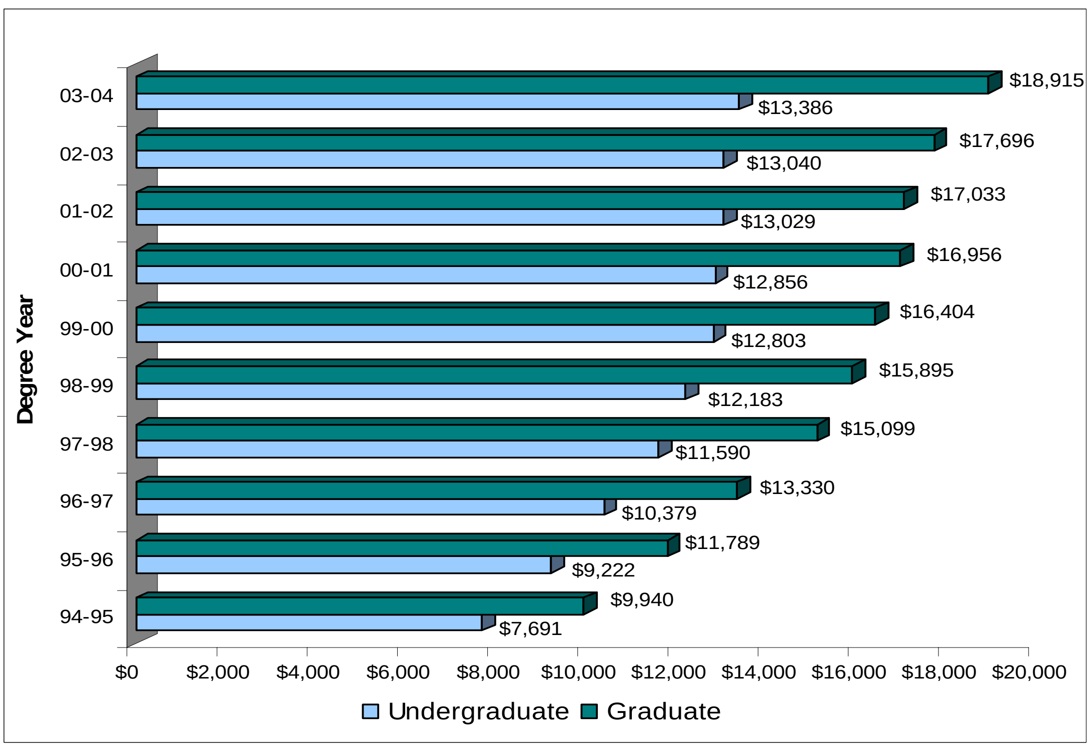
Short-Term or Emergency Loans

While not included for purposes of determining student eligibility for need-based financial aid or packaging of student aid, the short-term or emergency loan programs available at most CSU campuses play a critical role in assisting students in meeting temporary or emergency financial needs. Student body associations, alumni associations, and other auxiliary organizations provide funding for these programs. These programs provide vital assistance to students faced with emergency or short-term financial needs and the demand for assistance from the programs is typically oversubscribed when the state budget is not enacted on a timely basis and state assistance or the expenditure of institutional aid is delayed.

CSU Student Borrowing

Figure 3 reflects data on the average amount of student borrowing for CSU students who received a first bachelor's degree or a master's degree in the respective college years.

Figure 3. Average Borrowing of CSU Degree Recipients



These data were compiled from the annual financial aid database report files that CSU campuses provide to the Office of the Chancellor. The amounts borrowed do not include student loans that a borrower may have received at another institution prior to transfer to a CSU campus. For graduate students, the amounts borrowed do not generally include student loans obtained prior to matriculation as a postbaccalaureate or graduate student. Since the financial aid database files include annual college year loan amounts, there is some imprecision if a borrower received a baccalaureate degree mid-year and received additional loan funds for a subsequent term or terms of postbaccalaureate or graduate level enrollment during the same year.

While institutions are not required to report the average cumulative borrowing of their students or degree recipients to the U.S. Department of Education through either the student financial aid administrative area or the areas involved in compiling education statistics, average student borrowing of baccalaureate degree recipients is among the standard data items included in the Common Data Set (CDS) initiative. CDS is a collaborative effort among data providers in the higher education community and publishers as represented by the College Board, Thomson Peterson's, and U.S. News & World Report that seeks to improve information available to students about postsecondary education and reduce the reporting burden on institutions and other data providers by standardizing data items and definitions for the provision of information for various survey requests. Table 3, using Common Data Set information reported on institutional websites, provides some perspective on how the borrowing patterns of CSU baccalaureate degree recipients compare to the patterns at other public institutions. The most recent national survey information on average borrowing on the part of students graduating from public 4-year institutions available from the National Center for Education Statistics is for 1999-00 bachelor's degree recipients and reflects that 61 percent of graduates borrowed with average cumulative borrowing of $16,400.[2]

Student Loan Borrowing Trends

While not discounting concerns that have been expressed regarding the overall increases in borrowing in student loan programs and the prospective debt and repayment obligations that student borrowers face upon leaving school, it is important that efforts be made to identify whether the borrowing is essential in order to meet the recognized essential educational costs or whether the availability, and comparative low interest rates, associated with student loan programs are prompting students and their families to maximize the advantages afforded by the current low interest rates in student loan programs without consideration of the long-term repayment and financial implications associated with student loan borrowing.

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[2] U.S. Department of Education, National Center for Education Statistics, Data Analysis System, 2000/01 Baccalaureate and Beyond Longitudinal Study (B&B:2000/01).

Table 3. Student Loan Borrowing of 2003-04 Bachelor's Degree Recipients

Reporting Institution	**Average Borrowing**	**Percent Who Borrowed**
University of Connecticut (Storrs, CT)	$18,045	62.0%
University of South Carolina	$17,828	51.0%
North Carolina State University	$17,291	40.0%
University of Colorado, Boulder	$16,348	44.0%
University of Nevada, Reno	$16,273	44.0%
Rutgers University (Newark, NJ)	$15,495	75.0%
Georgia State University	$15,419	50.0%
George Mason University (Fairfax, VA)	$15,015	37.4%
State University of New York, Brockport	$14,994	77.0%
University of Maryland, Baltimore County	$14,500	30.0%
University of Central Florida	$14,158	40.9%
University of California - Systemwide	$13,895	52.0%
California State University - Systemwide	**$13,386**	**46.4%**
University of Texas, Arlington	$13,319	50.0%
University of Nevada, Las Vegas	$12,818	39.0%
University of Wisconsin, Parkside	$12,500	62.0%

Notes:
Systemwide averages for the California State University and the University of California were compiled by the respective systemwide offices. Data for other institutions were obtained from institution's website displaying responses to the "Common Data Set" survey. Italics indicate a CSU comparison institution.

Promoting Informed Borrowing and Debt Management

Needed attention has been focused on the growth in student borrowing and the impact that it will have on borrowers when they enter repayment. As student loan debts rise, an increasing proportion of the salary of borrowers is required for repayments that can affect their ability or willingness to take on other financial obligations. Credit card debt has also risen sharply, saddling students with excessive interest costs on expanding consumer debt. These concerns prompted the passage of the Student Financial Responsibility Act (Stats. 2001, Ch. 294; AB 521) by the California legislature effective January 1, 2002 (codified in Section 99030 of the California *Education Code*). The Act required the Board of Trustees of the California State University, among others, to "regulate the marketing practices used on campuses by credit card companies" and expressed intent that credit card and debt education and counseling information be included in student orientation sessions. In response, the Board of Trustees amended Section 42350.6 of Title 5, *California Code of Regulations*, to add a new subdivision addressing the marketing to students of credit cards, authorizing campus presidents to limit and register the sites available for credit card marketing and prohibiting credit card marketers from offering gifts to students for filling out credit card applications.

Campus Responsibilities

CSU campuses, as participating institutions in Federal Title IV student aid programs, have the responsibility for ensuring that the right funds, in the right amounts, are distributed to eligible students. Notwithstanding the CSU's own goal to ensure that limited student aid funds are awarded to students most in need of assistance to ensure educational access, there are extensive statutory and regulatory provisions that govern the administration of student financial aid programs, particularly at the federal level. Institutional responsibilities include substantial disclosure requirements to prospective students as well as to students who actually enroll and receive student aid funds, particularly loan funds.

Community Responses

To discharge their responsibilities and address student borrowing concerns, campuses throughout the CSU have partnered with other participants in the education, loan servicing, and lending communities: the Department of Education, the California Student Aid Commission, guaranty agencies, participating lending institutions, and other business partners. As a result, a number of successful initiatives and partnerships have produced improved procedures, new products, and other resources that are of benefit to prospective as well as current CSU students and prior CSU borrowers. These efforts and innovative tools are designed to inform prospective and current students, or to increase borrower awareness, and to offer advice on budget development, debt management, and repayment (in general and for student loans in particular). Promoting personal budgeting and financial skills to students and ensuring that information is available for students to make informed borrowing decisions – recognizing the responsibilities for, and implications of, repayment obligations – are essential in ensuring that campuses discharge their responsibility relative to "student consumerism" and in promoting the long-term financial health and responsibility of their students.

<u>*Entrance and Exit Interviews*</u> are required by federal regulation for all students who borrow. Campuses are required to explain the rights and responsibilities of borrowing. Schools must confirm the completion of the *entrance* interview prior to obtaining a loan for first-time borrowers. An *exit* interview must be completed within a reasonable timeframe prior to students leaving school to provide a thorough explanation of loan balances and options for repayment. These interviews are accomplished in a variety of ways, including the following:

In-person interviews by campus student loan counselors or representatives of participating lenders;

On-line interview sessions developed by individual campuses as well as by the Department of Education, student loan servicers, guarantors, and participating lenders that are linked to campus websites for ease of student participation;

Phone-sessions in an automated, touch-tone format on campus-based systems;

Video presentations for entrance and exit interviews developed by EdFund, the Department of Ed, and major California lenders that are delivered in a lecture-hall format or made available for individual viewing by student borrowers; and

Written presentation materials that are mailed or e-mailed to student borrowers.

The *National Student Loan Data System (NSLDS)* maintained by the U.S. Department of Education is the Department's central database for student aid with information from schools, agencies that guaranty student loans, the Direct Loan program, and other federal programs. Students/borrowers with an authorized identifier may access this database to review information about their Federal loans and the Federal Pell grants that they received.

Calculators developed by educational institutions, the Department of Education, financial aid servicers and support groups, and lenders, provide useful tools for students to simulate or determine cash needs, loan repayment amounts, and other requirements or expectations related to financing their education. Examples include calculators that estimate college costs; the Expected Family Contribution (EFC); loan payments based on borrowing and interest rate, reasonable borrowing levels (based on anticipated income levels), and estimated student loan repayments based on borrowing level, interest rate, and repayment plan. Campus financial aid office websites often provide links to calculators that are recognized as being of use to students. Campus financial aid administrators frequently use these calculators to work with students periodically throughout their college career to keep track of loan amounts and potential repayment obligations or refer borrowers to these tools.

The CSUMentor® on-line application and information site incorporates the *Student Loans Over Projected Earnings*, or SLOPE, calculator that enables applicants and students to determine what student loan payments might be in comparison to projected first-year earning or incomes. This calculator is multi-purpose in that it calculates, based on anticipated or actual borrowing by year, the amount of any capitalized interest on unsubsidized loans, the amount of monthly loan payments (including any capitalized interest), and the percent of income that will be devoted to student loan payments based on career choice and anticipated income.

Web resources that deal with issues related to student borrowing are readily available to students and parents. CSU campuses provide on-line links and publish listings of key resources in campus handbooks and in other communications provided to students.

Publications developed by the Department of Education, the California Student Aid Commission, guaranty agencies, participating lenders, and CSU campuses contain a wealth of information about student loan programs, application procedures, money management tips, and default prevention strategies. CSU campus financial aid offices reference these publications in their literature that is provided to students and families either on the campus web-site or in other published materials.

Workshops have been developed by campuses in response to the specific needs of their students. The most common workshops relate to money management, managing credit card debt, budgeting and cost cutting strategies.

EdShare© Grants, amounting to $12 million over the last three years, provided by EdFund (the auxiliary organization of the California Student Aid Commission that administers activities associated with its participation in the federal student loan programs) on a competitive basis to individual postsecondary institutions and consortia of institutions have promoted the development of dynamic new approaches to borrower education, debt management, and default prevention. Examples of these approaches, represented by projects at CSU campuses receiving EdShare© Grants, include the following:

- San Luis Obispo is creating a series of "financial survival" workshops for graduate and undergraduate students;
- Channel Islands is training students to become peer educators to present counseling sessions to borrowers;
- Fresno is increasing contact with high-risk students and expanding debt management sessions during orientation for incoming freshmen;
- Monterey Bay is creating a Student Loan Advising Program designed collaboratively by financial aid, residential life and student activities staff; and
- Northridge is increasing its lender collaboration by instituting a new default prevention plan with strong benchmarks and research-driven practices.

The California Student Debt Resource Awareness Project (CASDRAP), also a recipient of an EdShare© Grant and a project in which several CSU campuses are involved, was developed by a consortium of campus student loan administrators, non-profit financial education organizations, student loan guarantors, and student lending and service organizations. The mission of CASDRAP is to improve the financial literacy of college, university, and other students enrolled at postsecondary institutions by developing and making publicly available a website that serves as a repository for financial and debt management issues relevant to postsecondary students. EdFund has provided funds to support the project so that students can become better informed about financial issues especially those related to educational costs and debt management. CASDRAP has also received funding from the Associated Students' organization of at least one CSU campus.

EdFund Building Futures provides schools tools they need to educate borrowers and promote successful repayment. The program offers six modules: (1) Default Prevention Essentials; (2) Entrance and Exit Extras, (3) Money Management; (3) Outreach, (4) Professional Development Resources; and (6) Financial Aid Trends and Analysis.

The Direct Loan Servicer Website offers various calculators and planning tools to help students and parents make informed decisions about budgeting carefully and borrowing only when necessary. A Repayment Estimator and Interest Capitalization calculator let families create multiple scenarios in order to make wise choices about borrowing and repayment alternatives.

Cohort Management Tools developed and made available by guaranty agencies, loan servicers, and lenders provide assistance in managing contacts with borrowers in the critical cohort used to compute default rates. Examples include EdFund's Cohort Management System™ that provides a powerful online tracking system and organizes in-person meetings, letters, fax and telephone borrower communications and the Cohort Right Track Program from Campus Partners, the CSU's systemwide contractor for Federal Perkins Loan billing services.

Late Stage Delinquency Assistance (LSDA) is a default prevention tool developed by the Department of Education to assist Direct Loan schools track delinquent borrowers. Schools are notified of borrowers who are more than 240 days, but less than 361 days delinquent on their loan payments. Participating institutions can concentrate their attention on this small group of borrowers and explain options such as deferment, forbearance or alternate payment plans to keep them in good standing with their loans.

Student Loan Repayment

Borrowers must begin repaying federal student loans six to nine months after leaving school. There are a number of special provisions (covered in a later section) that can postpone or cancel loan payments, but students typically begin making payments after their initial "grace" period after college. The Federal Perkins loan has a nine-month grace period, and FFEL and Direct Loan programs have six-month grace periods.

Repayment Plan Options

Most borrowers have an array of repayment plan options, ranging from a standard 10-year plan to extended, graduated, and income-contingent or income-sensitive plans. Given the variety and the complexity of repayment plans and special provisions available to borrowers, it is difficult to answer what would seem to be a most reasonable question, "What is the average length of time it takes to repay a student loan?" This question becomes even more complex when one considers the availability of Consolidation Loans—loans that have transformed the student loan repayment landscape and are discussed below. Options available for repayment of student loans, depending on the type of loan and aggregate amount borrowed, include the following:

The Standard Plan for Federal Perkins, FFEL, and Direct Loans allows borrowers up to 10 years for repaying the loan with a minimum required monthly payment of $40 for Federal Perkins loans and $50 for the others. Monthly payments are higher than the other plans, but the loan will be repaid in the shortest amount of time with the lowest amount of interest. Repayment of Federal Perkins Loans is limited to the standard repayment plan.

The Extended Plan for Federal Direct Loans still requires minimum monthly payments of $50 but allows a longer period for repayment, generally from 12 to 30 years depending on the amount of outstanding loans. Monthly payments are typically less than under the standard plan but the extended repayment period means paying more interest over the life of the loan. FFEL borrowers who received their first loan on or after October 7, 1998 and whose total FFEL borrowing exceeds $30,000 may also choose an extended repayment plan. Under the FFEL extended plan, payments may be fixed or graduated over a period of up to 25 years.

The Graduated Plans allow borrowers to begin repayment with low monthly amounts, when incomes are typically lower, and then increased monthly payments in stages as earnings presumably increase. For Direct Loan borrowers, the initial monthly payments must equal the greater of either the interest that accrues on the loan between payments or half of the payment the borrower would have made under the Standard Repayment Plan. Monthly payments are limited to no more than 150 percent of the amount the borrower would have paid under the Standard Repayment Plan and borrowers generally have 12 to 30 years for repayment depending on the amount owed at the time repayment begins. Under the Graduated Plan for FFEL borrowers, loans are generally repaid within 10 years, each payment must at least equal the interest accrued on the loan between scheduled repayments, and no scheduled payment can be more than three times greater than any other scheduled payment.

The Income Contingent Repayment (ICR) Plan is available to Federal Direct Loan borrowers only and are not available to PLUS borrowers. The plan offers flexibility in payment schedule, with the monthly payment calculated on the basis of the borrower's adjusted gross income (and the borrower's spouse if the borrower is married), the family size, and the total amount of debt outstanding. Borrowers pay the lesser of either the amount they would need to pay to repay the loan in 12 years multiplied by an income percentage factor that varies with annual income, or 20 percent of their discretionary income (adjusted gross income minus the poverty level for their family size divided by 12.) Under the ICR plan, borrowers must permit the Internal Revenue Service to provide income information to the U.S. Department of Education for use in the annual recalculation of monthly payments. The maximum repayment term is 25 years and any balance remaining at that point is discharged with a borrower subject to taxation of the discharged amount.

The Income Sensitive Plan is available to FFEL borrowers with payment amounts are based on monthly gross income and the loan amount. As the borrower's income increases or decreases, so do the scheduled payments. Each payments must at least equal the interest accrued on the loan between scheduled payments and no scheduled payment can be more than three times greater than any other scheduled payment amount.

Consolidation Loans

The loan consolidation program, under both FFEL and Direct Loans, was originally authorized by the Higher Education Act in an era of much higher interest rates in order to provide students with a way to manage student loan debt. Students frequently borrowed from multiple loan programs, from different lenders each year, and loans were subject to different interest rates. At repayment, borrowers were forced to juggle multiple payments, often to different loan servicers. Unmanageable payment schedules resulted which contributed to default. Consolidation simplifies repayment by enabling borrowers to combine multiple education loans from different lenders or with different terms and repayment schedules into one new loan.

During the last few years, interest rates on student loans have steadily declined and reached an all-time low on July 1, 2004. Interest rates for consolidation loans are determined by the date the loan was first disbursed, the present status of the loan (in school, grace, forbearance, deferment) and the type of loan borrowed. Attachment B contains a table that shows the effect of these characteristics in detail for Direct Consolidation Loans. In-school interest rates on federal loans are set at 2.77 percent, and rates increase to 3.37 percent once repayment begins. The interest rate is variable and is reset each July 1. As a result, Consolidation loans have become more popular than ever because students can "lock in" a much lower fixed rate. With rates now anticipated to rise, students leaving school are opting for Consolidation Loans during their grace period in order to take advantage of a low, fixed rate of interest. With the current in-school interest rate at 2.77 percent, borrowers are able to take advantage of a fixed interest rate as low as 2.875 percent for consolidation loans. These "refinanced" loans can carry up to a 30-year repayment period, rather than other repayment options that might result in an earlier pay off. This option results in lower monthly payments, but can result in significantly higher interest charges over time. In 2004, borrowers nationally consolidated $44 billion in student loans, almost four times as much in 2000.[3]

The complex array of repayment options, some with variable rates, others with a fixed rate, make realistic comparisons of repayment plans difficult. Further, because the variable rate is tied to a fluctuating rate of interest, modeling prospective repayment amounts over the life of the loans is difficult.

CSU Average Borrower Indebtedness and Years of Repayment

CSU students who received a first baccalaureate degree during 2003-04 and who had borrowed while enrolled at the CSU (46.4 percent of 2003-04 graduates) had average cumulative borrowing of $13,368. Table 4 reflects calculations of loan payment and interest paid over the life of the loans and show how different repayment options result in different debt burdens. The Standard Repayment Plan example depicts the total repayments and interest based on the maximum interest rate of 8.25 percent. With the current low interest rates, student borrowers entering repayment at this time may fully repay their student loans before interest rates reach the maximum level, thus, the total interest paid over time *may* be a great deal lower.

Because interest rates are not fixed for the basic repayment plans and Consolidation Loans are based on a fixed rate, it is difficult to present clear comparative data on the debt burden under different repayment options because payments can change with variations in the interest rate over the course of the repayment period. Income and employment status can change because of personal circumstances or changing economic conditions. The extent to which borrowers will have difficulty repaying their loans depend on the total amount that is borrowed and on other conditions during the repayment period that are difficult to predict. It is reasonable to conclude that most CSU borrowers would require up to fifteen years to repay loans and possibly less.

[3] Stephen Burd, April 1, 2005, "Combatants Alter Tactics in Fight Over Student Loan Consolidation," *Chronicle of Higher Education*.

Table 4. Examples of Alternative Repayment Plans

Standard Repayment Plan Example		
Amount Borrowed		$13,386.00
Interest Rate - Varies annually, maximum reflected	8.25%	
Loan Term in Years	10	
Required Monthly Loan Payment:		$164.18
Number of Payments	120	
Cumulative Repayments		$19,702.12
Total Interest Paid		$6,316.12
* Standard repayment models use the worst case 8.25 percent interest rate. Actual rates will be established each July 1 based on a revision to the T-bill rate.		
Perkins Loan Repayment Plan Example		
Amount Borrowed		$13,386.00
Interest Rate - Fixed over life of loan	5.00%	
Loan Term in Years	10	
Required Monthly Payment		$141.98
Number of Payments	120	
Cumulative Repayments		$17,037.49
Total Interest Paid:		$3,651.49
Consolidation Loan Repayment Plan		
Amount Borrowed		$13,386.00
Interest Rate: (fixed over life of loan, eff. 7/1/2004	2.87%	
Loan Term in Years	15	
Required Monthly Loan Payment:		$91.64
Number of Payments	160	
Cumulative Repayments		$16,494.90
Total Interest Paid		$3,108.90
(Models for the Extended Plan, Graduated Plan, Income Sensitive, and Income Contingent plans cannot be calculated without the individual monthly and annual income data needed to derive a repayment schedule.)		

Managing Student Loan Repayment – The Debt Burden of Student Loans

While postsecondary education institutions are involved in the determination of student eligibility for need-based loans and the process of ensuring that students receive information about their rights and responsibilities relative to the loans, the repayment process under both the FFEL and Direct loan programs takes place between the lender (or its servicer) and the borrower. That being the case, the CSU is not in possession of data that indicate the extent to which borrowers might be utilizing the various repayment options. Similarly, data are not available regarding the earnings of prior borrowers in order to assess the extent to which the level of student loan debt and the repayment obligations may constitute a burden on student loan borrowers. Some survey data are available, on the national level, which provide insight about the debt burden of student loans.

Typically debt burden is defined as the monthly loan payment as a percentage of monthly salary. Although there is no fixed standard as to what constitutes an acceptable or burdensome ratio, some benchmarks are generally accepted. Mortgage lenders recommend that student loan payments not exceed eight percent of pre-tax income. Many loan administrators, lenders, and observers anecdotally suggest that a range of eight percent to twelve percent is acceptable. On a national basis, data on loan payments as a percentage of current earnings for borrowers who obtained bachelor's degrees in 1999-2000 [4] show that for 74 percent of borrowers, the debt burden (monthly payment as a percentage of monthly salary) is twelve percent or lower, and, for 54 percent of borrowers, the ratio is eight percent or lower. However, seven percent of borrowers have debt burdens of 13-16 percent and nine percent have debt burdens of 17 percent or higher.

Estimating the salary requirements needed to satisfy prospective or acceptable student borrowing or monthly, annual or cumulative repayment obligations required to meet loan repayment obligations is an important, and treacherous, aspect of counseling student loan borrowers. Assuming the average borrowing of $13,386 on the part of 2003-04 first-time baccalaureate degree recipients from the CSU, a borrower opting to repay student loans under the Standard Repayment Plan would face monthly student loan payments of $164.18, assuming the maximum 8.25 percent interest rate during repayment over ten (10) years. Presuming the rule about student loans representing no more than 8 percent of pre-tax income is an accurate guide, the CSU borrower would need an annual salary of at least $24,627 ($2,052 per month) in order to be able to accommodate student loan repayment obligations without undue hardship.

For Federal Perkins borrowers, with a fixed 5 percent interest rate on the $13,386 borrowing level, monthly payments would be $141.98, requiring an annual salary of $21,297 ($1,775 per month) in order to stay within the 8 percent loan burden guide.

Recent census data reported the annual salary (adjusted to 2004 dollars) for a full-time employee, with a bachelor's degree, in the 24-34 year age group to be a median of $37,440 and a mean of $44,165 for those in metropolitan areas of the U.S. Assuming that CSU 2003-

[4] National Center for Education Statistics, March, 2005, "Debt Burden: A Comparison of 1992-93 and 1999-2000 Bachelor's Degree Recipients a Year After Graduating."

04 graduates were able to obtain a position with a comparable salary, monthly income would be a median of $3,120 or a mean of $3,680. Using the 8 percent debt burden guide, borrowers should be able to manage student loan payments of $250 and $294 per month without undue hardship. While these data indicate that many CSU bachelor's degree recipients are likely to have incomes sufficient to repay the average student loans they assumed at the CSU, there is still cause for concern about the level of student loan borrowing on the part of CSU students and the implications of their debt repayment obligations in the longer term. The above examples of student loan borrowing and repayment obligations do NOT take into consideration other debts and repayment obligations (such as commercial loans and credit card financing obligations) that student loan borrowers may have incurred during their postsecondary education career or during the period following completion of the degree and the process of locating employment, potentially re-locating in order to pursue employment, and other expenses associated with commencing a career.

Many students overestimate the percentage of income available to repay student loans. Further, many students are not adequately prepared to estimate what their career earnings will be which makes informed borrowing decisions more difficult.

Special Provisions and Considerations Related to Repayment

The public subsidies for, and benefits of, government-sponsored student loans do not end with the borrower's receipt of a degree or termination of an educational program. Some of these provisions, such as deferments and forbearance, contribute to the difficulty in providing a simple response to the question of how long it takes to pay off a student loan. While these provisions may extend the period that it takes to pay off the loans, they also accommodate the borrower during periods when they would have great difficulty in meeting their repayment requirements and might otherwise face defaulting on the loan. Special provisions and considerations of student loan programs, many of which are not available to borrowers in typical commercial or consumer loan programs, include the following:

Grace periods allow borrowers who graduate, leave school, or drop below half-time enrollment a period of time during which repayments are not due. The period is nine months for the Federal Perkins Loan Program and six months for the Federal Stafford Loan programs.

Deferments are defined periods for postponing repayment under specific circumstances. Deferment conditions for the federal loan programs are postsecondary enrollment on at least a half-time basis, study in an approved graduate fellowship program or in an approved rehabilitation training program for the disabled, inability to find full-time employment, and economic hardship. The Federal Perkins Loan program also includes deferments for borrowers engaged in service that will qualify for discharge or cancellation of loan amounts.

Forbearance is a temporary postponement or reduction of payments for a period of time when the borrower is experiencing financial difficulty. During forbearance, interest continues to accrue and the borrower is responsible for repaying it. The loan servicer can grant forbearance in intervals of up to 12 months at a time for up to 3 years. In the FFEL and Direct Loan programs, forbearance of repayment can also be granted while the borrower is performing eligible service that will qualify for cancellation or forgiveness as a full-time child care service provider in a low-income community. Since there are no deferments specifically for military service or mobilization, the use of discretionary, administrative forbearance along with financial hardship deferments are used to ensure that student loan borrowers who are military personnel or reservists and who are activated or reassigned as a result of military mobilization are not adversely impacted as a result of that mobilization.

Federal loan program cancellation and forgiveness provisions permit a portion or the entire remaining balance of a student loan to be canceled or forgiven under certain conditions. All of the federal loan programs provide for cancellation or discharge of the borrower's debt in the event of death or strictly verified total and permanent disability. As discussed earlier, the most generous cancellation provisions are in the Federal Perkins Loan program. The FFEL and Direct Loan programs also have forgiveness provisions for certain borrowers who teach in qualifying areas or who serve as child-care providers in qualifying facilities in low-income areas. Federal Perkins Loan balances may also be subject to cancellation based on military service in an area of hostilities. Most loan amounts that qualify for cancellation based on a service requirement also qualify for tax-free treatment by the Internal Revenue Service.

Other Loan Assumption and Repayment Programs afford certain borrowers an opportunity for the assumption of responsibility for repayment by another source of all or a portion of student loan debts. Of particular importance to California borrowers who pursue teaching careers is the Assumption Program for Loan Programs (APLE) provided by the state of California through the California Student Aid Commission (CSAC). The APLE program provides up to $11,000 of loan assumption benefits (and in some circumstances, up to $19,000 for additional years of service) to borrowers who serve as a public school teacher in California in either a designated subject-shortage area (math, science, reading specialist, bilingual or special education) or schools serving large populations from low-income families. The California Health Professions Education Foundation provides student loan forgiveness programs to registered nurses and other health professionals who work in medically underserved areas of the state. The Registered Nurse Student Education Loan Repayment provides up to $19,000 in loan repayments for two years of service. The Army National Guard provides a student loan repayment program and some employers, including federal agencies, also provide student loan repayment programs as an incentive for recruiting or retaining employees. Some student loan assumption and repayment program benefits also qualify for tax-free treatment by the Internal Revenue Service.

Incentive repayment programs or borrower benefits programs are offered by many lenders in an effort to promote and encourage positive repayment habits on the part of borrowers. Many lenders will reduce interest rates based on a specified number of on-time payments. Other reductions are possible if payments are arranged through automatic deductions from checking or savings accounts or even by automatic debit to credit cards, a practice subject to question in some quarters.

Interest deductibility for federal income tax purposes is an added benefit for student loan borrowers, including parents who borrowed under the PLUS program. The deduction is limited to single filers with modified adjusted gross incomes of $65,000 or less and joint filers with modified adjusted gross incomes of $130,000 or less. The maximum deduction for student loan interest paid in a given year is $2,500 and the deduction is taken as an adjustment to income meaning that filers do not need to itemize deductions in order to benefit from the deduction.

Default and collection procedures Borrowers who fail to make timely payment in accordance with the terms of their student loans are considered to enter a default status and are subject to various required collection procedures. The procedures vary based on the loan program but include loss of eligibility for deferment or forbearance, reporting the default to national credit bureaus, referral to commercial collection agencies, efforts to collect by offsets against state and federal tax refunds, and legal action. Collection costs are charged to the borrower.

Rehabilitation is an option for borrowers who have defaulted on repayment of a student loan. Under a loan rehabilitation agreement the borrower and loan holder agree on a reasonable and affordable payment plan for twelve consecutive payments. Once the borrower has voluntarily made the payments on time for twelve consecutive months, the default status is removed and the borrower regains benefits of the loan programs including any remaining eligibility for deferment or forbearance.

Bankruptcy is not typically a means by which borrowers can avoid repayment of student loans since educational loans are not dischargeable in bankruptcy. Borrowers may, however, be successful in having the student loans discharged by the court should it find that repayment of the debt would constitute an undue hardship.

The Federal Student Aid Ombudsman of the U.S. Department of Education is available to assist borrowers in resolving disputes and in solving other problems with their federal student loans. The FSA Ombudsman site at http://www.ombudsman.ed.gov/ includes information for borrowers to use in efforts to resolve student loan issues.

Student Loan Default

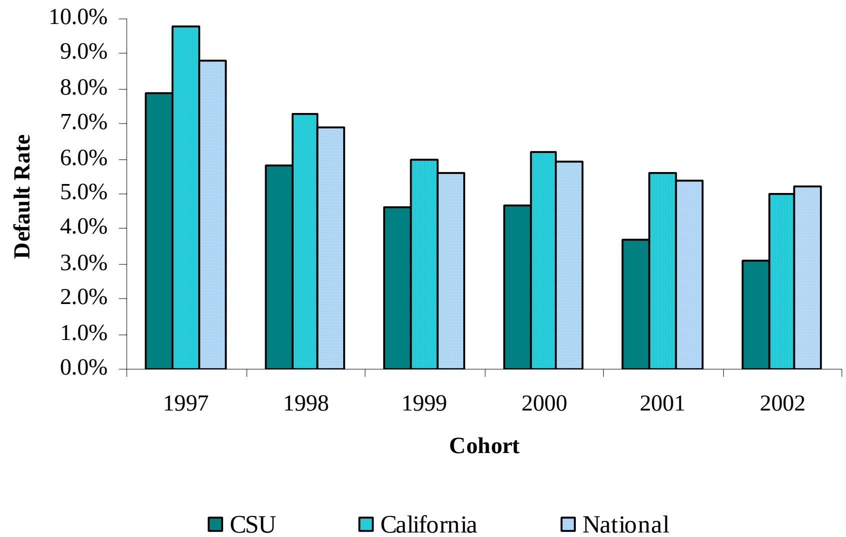
Student loan defaults, once considered a runaway problem that threatened funding for all federal student aid programs, have reached an all-time low. In September 2004, the Department of Education announced a record low 5.2 percent national student loan “cohort” default rate for all schools participating in the FFEL and Direct Loan programs during the 2002 federal fiscal year. This most recent cohort default rate data, labeled 2002 in Figure 4, are for borrowers who entered repayment during between October 1, 2001 and September 30, 2002 and who defaulted before September 30, 2003.

On an annual, federal fiscal year basis, the Department of Education calculates the default rate for Federal Family Education Loans and Federal Direct Loans. The cohort default period refers to the two-year period that begins on October 1 of the fiscal year when a borrower enters repayment and ends on September 30 of the following fiscal year (the federal fiscal year calendar). A cohort default rate is the percentage of a school’s federal student loan borrowers who default within two years of leaving a higher education institution. Annual default rates are released in September. Institutions can be dropped from participation in the federal student loan program if their default rate is either more than 40 percent for one year or more than 25 percent for three consecutive years.

Concerted efforts by the Department of Education, schools, lenders, guaranty agencies, and student loan servicers have resulted in a significant decline in default rates over time. Defaults reached an all-time high in 1990 at 22.4 percent. Significant improvements have occurred as schools and partners in the student loan industry have made informed and responsible borrowing and repayment a priority. This factor, in conjunction with the decline in interest rates, makes loans more affordable and contributes to default reduction, saving students and taxpayers millions of dollars.

Default rates in the CSU have continued to decline in line with national averages, with the latest rate for FY 2002 at 3.1 percent for the CSU compared to 5.0 percent for California and 5.2 percent nationally. Figure 4 depicts the CSU cohort default rates for FFEL and Direct Loan borrowers relative to those for all participating schools in California and the nation.

Figure 4. Student Loan Program Default Rates



There are far few borrowers in the Federal Perkins Loan program and the default patterns are somewhat different since priority for the loans is accorded to the most needy students. Although the cohort default rates on the part of Perkins Loan borrows are slightly higher than those for the FFEL and Direct loan borrowers there has been a reduction in rates over the years. The most recent cohort default rate data for Perkins Loan borrowers entering repayment during 2002-03 and in default as of June 30, 2004, reflects an rate of 6.9 percent for the CSU, down from 7.4 percent on June 30, 2003. National and state data for June 30, 2004 have not yet been released, but for June 30, 2003 the rate for all California schools was 6.97 percent and the national rate was 8.85 percent.

Perspectives on Student Borrowing

Increased reliance on student borrowing prompts concern about the attitude with which borrowers approach incurring and repaying student loans as well as the extent to which they are informed and knowledgeable about basic personal budgeting, financial planning, and debt management considerations. Because student loans have become an increasingly important part of the financial aid package, it is important to examine borrowers' perspectives on the importance of loans and the impact that borrowing has had on their lives. Although there have been no CSU-specific studies of student attitudes on borrowing, some research has been completed on a national level. It may be instructive to review some of these findings and to examine the impact of borrowing for students at public, four-year institutions.

Summary findings[5] of the most recent National Student Loan Survey, conducted in 2002 the Nellie Mae Corporation includes perceptions of student loan borrowers relative to their student loans and debt burden. Table 5 reflects responses of interest.

Table 5: Perceptions of Debt Burden

To what extent do you feel burdened by your student loan payments?		
Not Burdened	Neutral	Burdened
17.4%	27.1%	55.5%
If you could begin again, taking into account your current experience, would you borrow:		
More	About the same	Less
5.0%	44.7%	54.4%
Since leaving school, my education loans have not caused me more financial hardship than I had anticipated at the time I took out the loans:		
Agree	Neutral	Disagree
55.0%	20.7%	34.3%
Making loan payments is unpleasant but I know that the benefits of education loans are worth it:		
Agree	Neutral	Disagree
58.9%	26.1%	15.1%
I am satisfied that the education I invested in with my student loan was worth the investment for career opportunities:		
Agree	Neutral	Disagree
58.9%	22.0%	19.1%
I am satisfied that the education I invested in with my student loan was worth the investment for personal growth:		
Agree	Neutral	Disagree
71.5%	17.3%	11.2%

Of the respondents to this survey, 52 percent were enrolled in public institutions. It is important to note, however, that there were no statistically significant differences between private and public sector respondents. Both groups were likely to feel equally burdened by their debt as well as equally likely to believe the benefits of their education were worth the debt burden. Results of this survey also revealed, as shown in Table 6, that borrowers appreciated the importance of student loans in their educational financing plans or efforts.

[5] Dr. Sandy Baum and Marie O'Malley, February 6, 2003, "College on Credit: How Borrowers Perceive their Education Debt, Results of the 2002 National Student Loan Survey", Nellie Mae Corporation.

Table 6: Perceptions of the Importance of Student Loans

How important were loans in:	Not Important	Somewhat Important	Important	Very Important	Extremely Important
***Creating Opportunity*:**					
Allowing you to continue your education after high school	9%	8%	14%	24%	46%
Allowing you to attend the college of your choice	16%	8%	18%	21%	37%
Allowing you to go to graduate school	8%	7%	14%	14%	51%
***Restricting Opportunity*:**					
Delaying return to school	37%	11%	13%	15%	24%
Preventing you from attending a more expensive college	33%	13%	17%	13%	25%
Preventing graduate school	24%	17%	17%	18%	24%
Preventing you from staying in school	49%	8%	14%	13%	16%
Influencing where you went to graduate school	51%	10%	12%	11%	15%
Influencing graduate degree program or specialty	48%	14%	12%	12%	14%

Of additional interest is a 1993 study [6] that includes student loan borrower responses on the part of borrowers who had defaulted on student loans. The overall benefit of student loans was ranked "worth it" by 59 percent of the student borrowers who responded to the survey and 26 percent were neutral on their response. Only 15 percent said the benefits of student loans were not worth the difficulty of making payments. It is also important to note that students who reported that they had received counseling about repayment at the time they left school felt far less burdened by their student loans than the less well-informed borrowers.

[6] Dr. L. Diane Ryan, Fall 1993, "California State University Loan Defaulter Characteristics," Journal of Student Financial Aid.

Conclusions and Recommendations

Student loan programs are a critical component for ensuring access to postsecondary education. Available federal and state funded grants and other forms of "gift aid" are simply not sufficient to meet the financial need of all students who require assistance in financing a postsecondary education. The federally authorized student loan programs, unsubsidized as well as subsidized, provide favorable financing alternatives for the majority of students enrolling at the CSU.

There are relatively limited instances in which CSU campus financial aid administrators can refuse to certify a student's eligibility for a student loan, particularly if the eligibility requirements are technically satisfied. The demands on the financial aid office and affiliated offices that deal with student enrollment, student receivables, and loan collection frequently preclude individualized counseling on education financing and debt management. The CSU, working collaboratively with the community involved with student loan programs, has undertaken initiatives to expand borrower awareness. These efforts can greatly affect borrower attitudes and perceptions about student loans. Through effective entrance and exit counseling, students gain a clearer understanding of the debt burdens they are assuming. All campuses engage in these counseling activities and utilize a variety of tools as outlined earlier. Communicating with borrowers throughout their entire enrollment period about debt management strategies, exploring debt-to-income ratios for expected career earnings, and emphasizing the importance of understanding the impact of borrowing are effective tools in ensuring more informed borrowing and more positive attitudes toward repayment on the part of students.

Continued efforts on the part of all participants in the student loan process and industry are essential to ensure informed borrowing on the part of students and the management of debt on the part of individuals who borrow to financial a postsecondary education.

2003-04 Student Financial Aid
CSU Systemwide Total

Aid Program	Number of Recipients	Dollars Received	Average Award	% of Recipients	% of Dollars
Federal Pell Grant	116,581	$321,400,222	$2,757	55.1%	20.4%
Cal Grant A	13,132	24,423,370	1,860	6.2%	1.6%
Cal Grant B	34,968	98,786,902	2,825	16.5%	6.3%
Cal Grant T	57	54,578	958	0.0%	0.0%
State University Grant	105,381	187,326,808	1,778	49.8%	11.9%
Educational Opportunity Program (EOP) Grant	20,593	17,593,317	854	9.7%	1.1%
Graduate Equity Fellowship	338	754,807	2,233	0.2%	0.0%
CSU Campus Fee-Supported Grant	3,454	1,678,426	486	1.6%	0.1%
Federal Supplemental Educ. Opportunity Grant (SEOG)	21,213	11,294,036	532	10.0%	0.7%
Bureau of Indian Affairs (BIA) Grant	163	464,855	2,852	0.1%	0.0%
Other Federal Grants	890	1,525,639	1,714	0.4%	0.1%
CSU Future Scholars Scholarship	446	429,384	963	0.2%	0.0%
Institutional Scholarship	11,323	21,112,333	1,865	5.3%	1.3%
Athletic Scholarship	3,123	16,118,433	5,161	1.5%	1.0%
Other Scholarship-Grant	15,833	29,182,945	1,843	7.5%	1.9%
Federal Work-Study	9,392	20,631,459	2,197	4.4%	1.3%
CSU Campus Fee-Supported Work-Study	104	156,442	1,504	0.0%	0.0%
Federal Perkins Loan	8,650	17,482,322	2,021	4.1%	1.1%
Nursing Student Loan	123	379,979	3,089	0.1%	0.0%
Institutional Long-Term Loan	298	518,752	1,741	0.1%	0.0%
Other Educational Loan	2,212	15,391,189	6,958	1.0%	1.0%
Federal Stafford Loan-Subsidized (FFEL/Direct)	113,493	472,620,615	4,164	53.6%	30.0%
Federal Stafford Loan-Unsubsidized (FFEL/Direct)	60,113	253,368,369	4,215	28.4%	16.1%
Federal Parent Loan (FFEL/Direct)	7,411	60,984,134	8,229	3.5%	3.9%
Unduplicated Recipients/Total Aid	211,680	$1,573,679,316	$7,434		99.8%
Source of Aid					
Federal Family Educ. Loan and Direct Loan Programs	134,514	$786,973,118	$5,850	63.5%	50.0%
Other Federal Aid Programs	120,376	373,178,512	3,100	56.9%	23.7%
Cal Grant Programs	48,157	123,264,850	2,560	22.7%	7.8%
CSU Student Aid Programs	111,555	206,104,316	1,848	52.7%	13.1%
CSU Campus Aid Programs	17,842	39,584,386	2,219	8.4%	2.5%
Other Outside Aid Programs	17,894	44,574,134	2,491	8.5%	2.8%
Unduplicated Recipients/Total Aid	211,680	$1,573,679,316	$7,434		99.9%
Type of Aid					
Scholarships & Grants	159,225	$732,146,055	$4,598	75.2%	46.5%
Work-Study	9,458	20,787,901	2,198	4.5%	1.3%
Loans	136,451	820,745,360	6,015	64.5%	52.2%
Unduplicated Recipients/Total Aid	211,680	$1,573,679,316	$7,434		100.0%

Direct Loan Program's Interest Rates from July 1, 2004 to June 30, 2005

Federal Direct Subsidized Consolidation Loans and Federal Direct Unsubsidized Consolidation Loans

	Status	Treasury Instrument		Add-on		Interest Rate for 7/1/2004 to 6/30/2005	Maximum Interest Rate
Loans with first disbursement date between 7/1/1994 and 6/30/1995	Any Status	91-day T-bill 1.07	+	3.1	=	4.17	8.25
Loans with first disbursement date between 7/1/1995 and 6/30/1998	Repayment or forbearance	91-day T-bill 1.07	+	3.1	=	4.17	8.25
	In school, grace, or deferment	91-day T-bill 1.07	+	2.5	=	3.57	8.25
Loans with first disbursement date between 7/1/1998 and 9/30/1998 and loans with first disbursement date on or after 10/1/1998 for which the application was received before 10/1/1998	Repayment or forbearance	91-day T-bill 1.07	+	2.3	=	3.37	8.25
	In school, grace, or deferment	91-day T-bill 1.07	+	1.7	=	2.77	8.25
Loans for which the application was received between 10/01/1998 and 1/31/1999	Any Status	91-day T-bill 1.07	+	2.3	=	3.37	8.25
Loans for which the application was received on or after 2/01/1999	Any Status	The lesser of 8.25 percent or the weighted average of the loans consolidated, rounded to the next higher 1/8 of one percent.					8.25

Note: If the treasury instrument plus the add-on equals or exceeds the maximum interest rate, then the interest rate is the maximum interest rate.

COMMITTEE ON EDUCATIONAL POLICY

Achieving the Baccalaureate Degree

Presentation By

David S. Spence
Executive Vice Chancellor and
Chief Academic Officer

Summary

Improving degree completion has been a priority of the California State University since 2002. This item presents a plan for renewed efforts to improve graduation rates.

Improving Student Progress to the Baccalaureate Degree

In Fall 2002 the Board of Trustees adopted a three-part initiative to improve the effectiveness and efficiency with which students earn the baccalaureate degree. The two overarching goals of the initiative are to graduate a higher proportion of students and to earn the degree while accruing fewer unneeded or unwanted courses. As Attachment A indicates, the graduation initiative has three parts: improving preparation to begin college, strengthening the transfer process, and helping enrolled students progress toward the degree. The CSU has made substantial progress on improving preparation for college through the Early Assessment Program (EAP). Similarly, a streamlining of the transfer process is well underway through the Lower-Division Transfer Project (LDTP). The final piece in this triad is campus actions to improve degree completion.

December 2002 saw the release of the report of the CSU Task Force on Facilitating Graduation, co-chaired by Jacquelyn Kegley, then academic senate chair, and Louanne Kennedy, then provost of CSU Northridge. When an early draft of the report had been developed, the Task Force met with four members of the CSU Board of Trustees, all of whom had indicated a strong interest in the topic and announced it to be a major initiative for the upcoming year. The Task Force report asked each CSU campus to develop a plan, based on institutional research, to improve graduation rates. Each plan would contain elements common to all CSU institutions and some elements unique to the specific culture and environment of the campus. Campuses were expected to address the development of roadmaps, the development of class schedules designed to accommodate these roadmaps, mandatory progress-to-degree audits, improved university catalogs, and the effective use of summer terms. They were encouraged to also consider developing first-year experience courses, effective advising practices, and faculty development experiences for improved instructional effectiveness. Copies of the campus plans were forwarded to the Office of the Chancellor in November 2003.

Since that time, the Board has received regular progress reports on the general topic of campus efforts to facilitate graduation. For example, in November 2004, the Board heard a report on a December 2003 two-day conference on best campus practices in facilitating graduation; on a June 2004 meeting at the Chancellor's Office on the topic of first-year experience courses; and generally on campus progress in developing roadmaps for degree programs and using degree audits.

More recently, at its January 2005 meeting, the Board of Trustees heard a report that drew upon information and perspective gathered in collegial visits to seven campuses undertaken in the week of January 11–18, 2005. Five themes emerged in that report, including (1) a recommended focus on reducing units to the baccalaureate, rather than reducing time to the undergraduate degree; (2) providing support for lower-division students in clarifying life and career goals, on the way to declaring a major; (3) using degree audits and similar strong advisement practices; (4) assuring class schedules that meet students' needs; and (5) reviewing and, where appropriate, tightening of campus policies governing course repetition. At its March 2005 meeting, the Board heard a further report that was founded upon formal recommendations from the Academic Senate, CSU in describing a broad, multi-constituency consensus as to best practices.

Included in Attachment B, based on the themes derived from campus visits, is a plan for renewed efforts to improve graduation rates in the CSU. Campuses will be asked to address these items and report on their progress at future meetings of the Board.

Almost all undergraduates enter the CSU intending to get bachelor's degrees, yet 40 percent never earn a CSU degree and a third never earn a bachelor's degree from any college. This is an unfulfilled commitment of substantial time and money made by tens of thousands of students and by California's citizen taxpayers. Improved graduation rates will significantly benefit students and California's society and economy.

The following resolution is recommended for adoption:

> **RESOLVED**, That the Board of Trustees direct the chancellor to charge the campus presidents and faculty to implement the recommendations in this report and to file periodic reports on campus progress in meeting the goals.

Achieving the Baccalaureate Degree

CSU Campus Initiatives

- **Efficiency in academic program design**
- **Encouraging students to choose efficient pathways to the baccalaureate**
- **Tools to keep students on efficient pathways to the baccalaureate**
- **Strong advising strategies and practices**
- **Campus monitoring and feedback**

K-12 Academic Preparation

- **Early assessment**
- **Targeted senior year preparation**
  - **Professional development of high school teachers**
  - **Identification of supplemental courses and other forms of instruction/tutoring in schools**

Improving Transfer

- **60 units for upper-division transfer**
- **CSU systemwide core transfer program**
  - **Completion of GE (39 units)**
  - **Intent to declare a specific major**
  - **Completion of lower-division major prerequisite courses**
  - **Early commitment to campus**

Recommended Items For Campus Plans for Facilitating Graduation

I. *Efficiency in Academic Program Design*

1	Reduction of Required Units in Programs Leading to the Baccalaureate Degree	Trustees reduced the minimum requirements for the baccalaureate from 124 to 120 semester units (or quarter unit equivalent) in 2000. In doing so, they brought the California State University into alignment with peer institutions across the United States, including the University of California. At the same time, Trustees asked campuses to review and to reduce to this new minimum those baccalaureate programs that, consistent with high academic quality, could be so reduced. It is recognized that some technical majors may continue to require more than 120 semester units to the degree. Examples include some programs in the sciences, engineering, fine arts, and certain others where degree programs respond to well-defined and well-justified learning needs (that in some cases are expressed in accreditation standards). Campuses have made excellent progress in reviewing and reducing unit requirements. However, campuses report that not all programs that might be reduced consistent with high academic quality have been so reduced. A process tied to program review cycles continues for all programs that presently exceed the minimum of 120 semester hours for the baccalaureate. ◆This topic directs campuses again to focus on this issue; to renew a local examination of high-unit baccalaureate programs; and to mark as a success reductions in unit requirements in programs that now require more than 120 semester units (or quarter unit equivalent) to complete.

2	Selective Reduction of Campus Graduation Requirements	Currently, the CSU requires more units in general education than our regional accrediting agency (WASC) mandates. Some campuses add still more graduation requirements. ◆This topic directs campuses to begin or to renew a local examination of graduation requirements, including the units required in general education; to address whether, consistent with the achievement of established student learning outcomes, all students or some students may be relieved of some requirements; to consider the extent to which credit by assessment is well-utilized for these requirements; particularly for high-unit majors to consider also more frequent double-counting of units between and among general education, the major, and other graduation requirements; and generally to seek fresh efficiency in this area. The Chancellor will approve reasonable campus-recommended variations on Title 5 graduation requirements that facilitate student progress to the baccalaureate degree while maintaining high academic standards and meeting CSU educational goals.
	II. *Supporting Students in Choosing an Efficient Pathway to the Baccalaureate*	
3	Emphasis on Gradua-tion in Orientation Sessions for New Students (First-time Freshmen; Transfers)	Orientation for new students was among many topics discussed during collegial visits to seven CSU campuses in January 2005 to discuss campus efforts to facilitate students' progress to the baccalaureate. More than one campus interlocutor suggested that graduation was not emphasized enough in such programs. Surely campus orientation programs vary in their emphases, and some may sufficiently take an emphasis on graduation. ◆This item directs campuses to review the extent to which students are encouraged in such programs to highly value efficient progress toward the degree.
4	Strengthened Support for both General Education and Life / Career Goal Clarifi-cation for Lower-Division Students	Uncertainty about choice of careers, and how best to associate career choices with broader life goals, was a theme in collegial visits to seven CSU campuses in January 2005. It was noted that first-time freshmen, in particular, delay choosing a major and take at least some courses that ultimately do not contribute to degree completion as they seek information about careers and fit with life goals. Campus interlocutors commented that support for these first-time freshmen (and others who seek the support) could help students choose efficient paths to the degree. ◆This item directs campuses to review and where suitable to improve the support offered to students who seek help in clarifying life and career goals.

<table>
<tr><td>5</td><td>Prominent Association of Career Outcomes with Degree Majors in Catalogs, and Other Student Informational Materials & Resources</td><td>Most program faculties now offer information about careers for which their degrees may prepare students, and such information is typically available on disciplinary association web sites and other places.

◆This item directs campuses to review the prominence and the ease of access to such information; the extent to which programs have disciplinary “days” to help students to understand careers; the suitability of including career information in introductory classes; the extent to which faculty make themselves available for informal career advice; the extent to which campuses make strong utilization of career centers and other campus-wide resources; and take other appropriate actions.</td></tr>
<tr><td>6</td><td>Choice of Degree Major Required at a Reasonable, Early Juncture</td><td>It is recognized that students will change majors with some frequency, as younger students mature, and as undecided students at any age gather more information about majors and careers. Yet a substantial consensus sees value in early choices of major, with benefits including entrance to a peer community surrounding the major, offering both social and learning support; the drawing of attention to degree requirements, reinforcing the goal of graduation; and the ability to develop a personal study plan through to graduation in the context of a roadmap to the degree.

◆This item requests campuses to require undergraduates to make an early choice of major, supported by strengthened career and life goal advisement, and by prominent association of career outcomes with degree majors.</td></tr>
<tr><td colspan="3">III. Tools to Keep Students on Efficient Pathways to the Baccalaureate</td></tr>
<tr><td>7</td><td>Wide Promulgation of Roadmaps to Degree in an Official, Centrally-Archived, Graphically Authoritative Format</td><td rowspan="2">Roadmaps to the degree are course-by-course articulation of student study needs with pre-planned offerings of required and elective courses by term. Roadmaps were a prominent recommendation in the system-wide graduation report published in 2002, and in January 2005 collegial visits to campuses most interlocutors reported that most programs have developed such roadmaps. Campus colleagues suggested, however, that some were not prominently displayed, others were graphically uninviting and by appearance thus seemed to lack authority; few were posted in an easily-accessible campus web site.

◆These items remind campuses to ensure that all programs have strong and clear roadmaps; that the promises in them are taken seriously; and that roadmaps are prominently and authoritatively displayed. Among the promises in roadmaps both implicit and explicit is that class schedule development will take roadmaps well into account, avoiding wherever possible “bottleneck” courses within a major or academic program.</td></tr>
<tr><td>8</td><td>Alignment of Class Schedules to Roadmaps</td></tr>
</table>

9	Provision in Policy of Mandatory Individual Student Study Plans to the Degree	Upon the declaration of a major, and congruent with a published degree program roadmap, students have an obvious opportunity to define what courses should be taken in what semester or term on the way to the baccalaureate. This may be done at any pace (number of courses per term) the student chooses; and evidently can be refreshed in the event that a student varies from his or her individual plan in a particular term.
10	Use of Cumulated Individual Student Study Plans in Planning Class Schedules	When done electronically in the context of a CMS campus information system, student study plans should be available as data that, when cumulated, provide program leaders with excellent information as to course demand when developing the schedule of classes for a given term. ◆These items request campuses to make strong use of roadmaps and CMS information systems to provide students with progress reports available even 24/7. Campuses should use the cumulated information to build class schedules that meet student study needs.
11	Adoption of Strategies for Student Success and Learning Support: Tutoring; Technology-mediated Supplementary Learning; and Similar Tactics	Campuses now support student success in courses and major programs via learning centers, writing centers, tutoring available to all students and/or to special cohorts, and in other ways. ◆This item directs campuses to review the frequency and extent of use of such programs and, where suitable, to put in place further support for student learning. Some programs may be technology-mediated, as where learning objects available on web sites are conveniently made part of learning management systems (such as Blackboard, WebCT or Moodle). Other support programs may rely upon faculty, staff, or student peer tutors.
12	Renewed Enforce-ment of Policies that Limit or Discourage Drops, Withdrawals, Grades of Incomplete	Campuses appear to have suitable policies that limit or discourage student exit from classes prior to completion. Some on campuses commented, however, that enforcement of these policies is uneven, and in some cases may be too forgiving.
13	Adoption or Renewed Enforcement of Policy that Limits the Number of Course Repetitions	Repetition of course policies on the campuses appear to vary widely; in some instances campus interlocutors have noted inconsistent policy statements in campus documents; a number of campuses appear to permit course repetitions with “grade forgiveness” for an extraordinarily wide range of circumstances, and with nearly-unlimited frequency, even for students who already have passed the class with a grade of C or better. ◆These items direct campuses to revisit these issues, to make new policy where appropriate, and to encourage enforcement of existing policy where appropriate. The Academic Senate, CSU has been requested to consider developing a model policy that addresses these issues.

IV. *Strong Advising Strategies and Practices*		
14	Campus Provision of a Rich CMS Information and Communications Environment for Major Advising	Campus interlocutors demonstrated and discussed sophisticated systems for accumulating student records, and providing them on demand to students and their advisors. Those familiar with them remarked that advising was made more powerful in such an environment, and that students could be encouraged to review their own progress such as prior to discussing their programs with major advisers. ◆This item requests campuses to continue as a high priority the development and provision of such advising resources, exploiting tools in the Common Management System.
15	Strong, Timely Major Advisement, Including Mandatory Advisement upon Declaring or upon Changing a Major	Campuses vary in ways and means of providing advisement, and programs within campuses similarly vary, with some relying upon staff to do much of the advising, others asking faculty equally to share the advising load, and still others visiting the work of advising on selected faculty who in turn receive workload credit. ◆This item directs campuses to renew commitments to advising that in nearly all cases are already strong; to review policies that require students to seek advising; where suitable, to take steps via policy and/or practice to increase the frequency of advisement in the major; and to recognize appropriately workload burdens associated with advisement.
16	Frequent Use of Degree Audits	A wide, multi-constituency consensus commends frequent degree audits as a strong practice to spur students toward graduation. ◆This item asks campuses to draw upon CMS information and communications systems, and campus commitments to strong and timely advisement in the major, in encouraging widespread and appropriate use of degree audits.
17	Mandatory Degree Audits not later than at 70 Semester Units (or Quarter-unit Equivalent)	A wide, multi-constituency consensus commends a degree audit at the junior level, which would capture both native undergraduates and transfers. ◆This item directs campuses to consider strongly a policy that imposes this requirement, in instances where such a policy is not present now.

18	Mandatory and If Needed Intrusive Advisement as Student Approaches / Exceeds Minimum Units Required for the Degree	A wide, multi-constituency consensus exists that students very near or beyond the minimum units required for the degree should be strongly encouraged to graduate. ◆This item asks campuses to develop policies to impose this requirement in instances where such a policy is not present now. Suggested elements include full degree audit at least for selected students as they approach the degree; and the use of registration holds or other strong requirements for students whose accumulated unit totals exceed the minimum requirements for the degree, operationalizing in that way a strong advising requirement.
		V. *Campus Monitoring and Feedback*
19	Development and Use of "Dashboard Indicators" for Campus-wide Monitoring of Graduation	"Dashboard" indicators provide the same selected key information very frequently – like a speedometer, a tachometer, an oil pressure sensor. CSU Northridge tentatively has been providing frequent summary statistics on midterm grade reports; attendance at advisement sessions; stop-outs during and following first term; students who have accumulated more than 120 units and continue in good standing; and term-by-term stopouts. Campus choices may vary, but the core idea is to let campus leadership at many levels monitor changes in the data, allowing feedback to affect behaviors and choices. ◆This item requests campuses to develop, disseminate, and use "dashboard indicators" pertaining to graduation.
20	Review by CSU Academic Peers of How Efforts at Encouraging Graduation are Succeeding, by Degree Program	Accountability and other strong practices in public administration generally call for display of practices and results. Such a display is contemplated here, modeled on program review procedures. Teams of 3 – 5 academic peers from sister CSU campuses after being trained would pay a one-day visit to the campus being reviewed. Efforts to facilitate graduation at department / program level would be discussed with faculty and students; at day's end, the visitors would have an exit interview with the president and other campus administrative and faculty leaders. ◆This item requests campuses to embrace and facilitate visits by academic peers to assess progress toward facilitating graduation.

VI. *Assuring the Priority of Facilitating Graduation*		
21	Provide the Board of Trustees with periodic reports	The keen interest of the Board of Trustees in this issue makes continuing reports appropriate. ◆This item directs the division of Academic Affairs in the Chancellor's Office to prepare a schedule for periodic reports by presidents to the Chancellor and the Board of Trustees concerning campus actions taken to facilitate graduation; and to begin such reports immediately.
22	Provide appropriate funding, support	All constituencies recognize that, to varying extents, items 1-19 will take energy and dollars. ◆This item reminds campus presidents to assure that budgets and priorities appropriately support efforts to facilitate graduation.

COMMITTEE ON EDUCATIONAL POLICY

Just for the Kids and California State University: A Partnership

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Summary

As part of its ongoing commitment to improving the quality of K-12 education in California, the CSU formed a partnership in 2003 with Just for the Kids-California (JFT K-CA), an affiliate of the National Center for Educational Accountability. Just for the Kids provides data that help schools to identify how they are doing in comparison to other schools on the California Standards Test for Language Arts and Mathematics and to learn what the highest-performing schools are doing to raise test scores. An overview of this partnership, including its implications for the Early Assessment Program, will be presented.